the Freeman

Ideas on Liberty

DECEMBER 1980

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John A. Pugsley

REGULATION

EVERY major industry in the world, including food, commodities, housing, transportation, medicine, energy, and money, is regulated at almost every level of government. Just listing the regulations pertaining to any single industry would take volumes.

In the field of finance, the government regulates (among other things) the amount of interest each type of financial company can pay on loans, the amount that can be charged for loans, the way interest must be disclosed to borrowers, where finance companies can open offices, what their advertisements can and cannot say, what types of securities can be issued, what must be and what cannot be said about securities, who can sell them, and how the sellers can be compensated for their sales.

In the field of medicine, the government regulates (among other things) who can practice medicine, what schools can teach medicine, what courses are to be taught, what types of medicine are acceptable, where doctors can practice, what prescriptions are allowed, what drugs can be sold, under what conditions drugs can be sold, who can sell them, what education is required for those who sell them, in many cases what can be charged for them, who can manufacture them, and what can be said about them in advertisements.

In the field of transportation, government determines (among other things) who can operate airlines, buses, taxicabs, and railroads, what equipment is acceptable, how often equipment must be serviced, the

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timetable of service, where passengers can be taken, who can operate the equipment, how much can be charged, what attendants must tell passengers, how passengers must behave while being transported, and how much can be carried aboard the transporting vehicle.

In the transporting of goods, government regulates (among other things) the amount that can be shipped by different types of carriers, what routes carriers can take, how much each carrier can carry, what hours drivers and pilots can operate, what carriers can charge, who can operate transport equipment, how old operators must be, and what training and experience they must have.

Of course, food is perhaps the biggest industry of all, and certainly the most highly regulated. Take the case of a simple hamburger. A study by Colorado State University identified over 41,000 state and federal regulations that apply to this common sandwich. These regulations apply to everything from the grazing of beef cattle to the assembly of the burger at your local fast food outlet.

This is a small sample. Mountains of regulations suffocate every field of human endeavor, from medicine to manufacturing, from construction to energy. The government is out to protect us—from ourselves. How did politicians and bureaucrats become so concerned about our well-being?

The Source of Regulation

On the surface, the government's regulation of business appears to be a genuine attempt at consumer protection. The regulations are justified on the grounds that they protect us from greed, ensure open competition in the marketplace, and protect our domestic economy. While there is a growing feeling that many government regulations are stifling business because of the inefficiency of the bureaucracy, still, *almost everyone is for them in principle*. But that is a part of every good sting. The victim must be totally convinced that he is benefiting even as he is being robbed.

The only reason individuals take action is because they believe they will get something they want by taking that action. People, in general, are not altruists. Yet it would seem that there must be some self-sacrificing individuals who are willing to devote their lives to designing regulations to protect us from greedy businessmen who would sell us shoddy or dangerous products. After all, how could a politician benefit from supporting business regulation? It must be that he has a genuine concern for the safety and well-being of the public. Otherwise, why would he work so hard to pass so many laws regulating business?

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It's simple. Politicians who support business regulation are not doing so because of deep-seated concern for public safety—they are merely meeting the demands of lobbyists who are hired and paid by businessmen. With only a few exceptions, the entire body of government regulations applying to business in the world today was designed and created *by the very businessmen who are being regulated.* These are self-imposed restrictions. However, do not think for a moment that these businessmen are altruists. These regulations are not aimed at them; they are aimed at *you.* Business regulation is the cleverest of all methods ever devised for taking money from you without your knowledge.

Sound far-fetched? Of course it does. We have been programmed our entire lives to believe that the government acts in the interest of the individual. We believe it is one giant consumer protection agency. In fact, it is nothing of the kind. It is one giant agency programmed to protect the business interests of established firms at the expense of the individual consumer.

Confidence Games Designed to Curb Competition

In real life, there are three ways that a businessman can limit his competition and thus gain your business by default: first, he can get the government to prevent the competitor from offering products at all; second, he can get the government to force the competitor to raise his price; and third, he can get the government to force his competitors' costs up, thus indirectly forcing up the price.

All three of these methods are widespread confidence games that have been around for centuries. By getting government to limit the introduction of competitive products into the marketplace, any businessman can set his own prices for the same products much higher and you will buy from him without suspecting that he has forced you to do so.

If you still question this analysis, examine the evidence. Take some time and research the records regarding which individuals lobbied for regulations, designed the regulations, and reported violations of the regulations. Time after time, you'll find that it was not wounded consumers who were responsible, but businesses already active in the market. Established airlines lobbied for creation of a Civil Aeronautics Board, volunteered to draft regulations governing airlines, and then screamed when deregulation was mentioned. Established banks lobbied for establishment of the Federal Reserve. Established trucking firms demanded regulation of interstate trucking; established shipping firms demanded regulation of ocean freight; established railroads de-

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manded regulation of the rails. Established firms do not like competition. It threatens to take away their customers, and lower their profits. Free enterprise is a fine concept when a businessman wants to complain about government interference in his own affairs, but when competition threatens his markets, he is quick to point the political guns at his adversary.

When the entrenched firms succeed in getting the government to regulate their industry, you, the consumer, are the loser. You are not protected by these regulations; you are denied the chance to buy the product of someone who might have been willing to offer you a lower price or a different quality. You are deprived of your chance to set your own values on goods.

Conclusion: Intervention Lowers the Standard of Living

Price controls, wage controls, antitrust laws, professional licensing laws, minimum wage laws, immigration laws, tariffs, and all other forms of personal and business regulation result from the attempt by one individual to limit your ability to spend your money with whomever you choose, or to sell your property at whatever price you choose.

These laws are justified on the grounds that people are somehow injured because the individual who owns goods or services is asking too high a price for them. If you catch a fish, how is someone else injured if you set a price he thinks is too high? Why is someone else's opinion better than yours as to what price you should sell it for? Whose fish is it, anyway? Does it belong to you, who caught it, or another individual who wants it, or to all the other individuals who make up society?

When the majority of individuals in a society try to enforce their claim on the production of others through the legal process, they are guaranteeing that their society will have a lower standard of living than if they honor each person's right to enjoy and set his own value on the fruits of his labor. The standard of living of any nation is directly proportionate to the personal freedom enjoyed in that nation. The people of China and India are not poor because they are stupid; they are not poor because they lack natural resources; they are not poor because they lack modern industrial tools. They are poor because they have lived for decades under social systems in which the established, entrenched classes are able to use law and custom to control the production, price, and sale of all goods and services produced. By removing the ability of individuals to benefit from ingenuity and hard work, they have destroyed the incentive of individuals to produce and save. Without savings, there is no capital for the cre-

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ation and improvement of the tools of production, and without tools there is only poverty.

Legalized plunder destroys the standard of living of any nation because it attempts to violate all of the economic laws that are an immutable part of human nature. Legalized plunder has strangled China, India, and most of the rest of the socialist or communist world. It is the reason for their abysmally low productivity, and the subsistence-level existence of their citizens.

By the same token, the people of the United States are not rich because of any special intelligence, natural resources, or work habits. We are rich because for the first 150 years after the founding of the nation individuals were allowed nearly total freedom to produce and control the products of their labor. This freedom encouraged individuals to develop habits of hard work and thrift, and to apply their intelligence to the natural resources in order to create the wealth of this nation. As one person after another discovered that government is a willing agent that will plunder others on request, plunder has grown and the rewards of production have fallen. Thus, the freedom that created the nation withers, and so does your standard of living.

This essay is a condensation of a chapter, reprinted by permission, from Mr. Pugsley's latest book, *The Alpha Strategy*. The book is available from The Common Sense Press, Inc., Costa Mesa, California 92627, $13.95.

IDEAS ON LIBERTY

Regulation of American Business

UNLESS the pronounced trend toward more and more regulation of more and more matters involved in the daily conduct of business can be halted, it is questionable whether American business can retain the necessary freedom of decision and action to meet the challenges which lie directly ahead. If we sit by and permit the increasing encirclement of business by bureaucratic regulation, we cannot in all common sense continue to expect the fruits of a vitally-needed expanding economy.

As a nation we are at this moment faced with tremendous responsibilities, both to our own people and to the entire free world beyond. They can never be met without the creative contributions of a dynamic economic sector, yet we stand in danger of witnessing American business being little by little painted into a corner so small that it leaves hardly enough room in which to turn around.

JOHN E. SWEARINGEN, from an address, February 28, 1962

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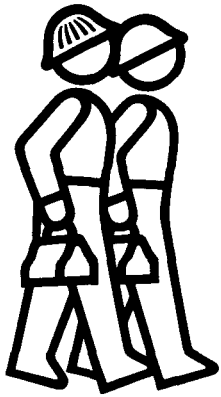
Clarence B. Carson



Organizing Government Employees

UNIONIZATION of government employees is the ultimate in unionization. It is the embodiment of the ideal toward which unionism is bent. That ideal, or aim, has been obscured by the quasi-religious ideology within which unions operate. The bent of unionism is to monopolize the available labor supply in an industry and to eliminate all competing laborers. By so doing, it can raise the price of labor—in wages, working conditions, and fringe benefits. But labor unions are ever being thwarted, or at least restrained, in private industry.

They are restrained by the fact that most private businesses do not have a monopoly. There are competitors, both domestic and foreign, in the making and sale of most products. Even if every current producer in an industry is organized within the United States, there would still be the problem of foreign competition. Moreover, if union demands go beyond a certain point there is nothing to keep others from going into business with non-union workers. True, a new business might itself be organized, but that could be a never-ending process. There is the problem, too, of the elasticity of demand for most goods, which means that if the good in one industry is priced very high because of labor costs customers will shift to other goods. For example, if coal gets too expensive, people may shift to gas, kerosene, electricity, or wood for heating. Much of this actually hap-

Dr. Carson has written and taught extensively, specializing in American intellectual history. He is a frequent contributor to *The Freeman*.

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pened after World War II when the United Mine Workers drove the price of coal so high.

A Prime Target

Public utilities represent nearly as good a target for unionization as does government. They usually have a monopoly for providing their particular services in an area. But there are still economic and political restraints on what they can pay. The demand for most goods and services provided by public utilities is not inelastic. Substitutions can be and are made. For example, when the price of electricity rose precipitately a few years ago, many people shifted to gas and other fuels for heating. Most people do consider some residual amount of electricity a necessity, so that at some point far below current use the demand for electricity may be very nearly inelastic. There is yet another economic restraint. Public utilities are generally privately owned and operated in the hope of profit. That places some restraint on what unions can effectively demand. On top of this, government controls prices that can be charged, placing limits, at any particular time, on what can be paid to labor. Thus, public utilities approach the ideal for unionization but fall short of it.

By contrast, there is very little economic restraint upon government which would hinder unions in attaining their goals. As one book puts it:

> Government is a growth industry that receives little competition from other industries; in fact, it is usually the sole dispenser of the goods and services it offers the public. Therefore, government is not faced with the market competition that characterizes the private sector of the economy. Consumers have no choice in the purchase of most government products. Usually they are required by law to pay for government services through taxes, regardless of whether they use the services. Price increases are passed along in the form of higher taxes, without fear of losing customers.[1]

Even when government offers services similar to those which are offered privately it rarely, if ever, competes on equal terms. The monopoly power is waiting in the wings, and the tax base is there to backstop its efforts. A good example is government activity in providing educational services. While use of the public schools is voluntary, school attendance is compulsory for children. But a private school has to compete on highly disadvantageous terms. Schools run by governments do not charge tuition but are financed with tax monies. Parents who do not send children to public school still have to pay the taxes, plus whatever it may cost to send them to private schools. Private colleges are usually at a great disadvantage in what they must charge

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compared with state subsidized colleges. The tendency of government is to extend its monopoly character to whatever enterprise it enters.

Monopoly Leverage

The union thrust to organization of government employees is a move to get leverage over a tax-based monopoly. It is a move to control the labor supply to government and thus to achieve union ends restrained only by political power and the limits of productivity within a nation. The political activities of unions suggest, also, that they work to remove what restraint to their goals there is in political power.

It may well be that labor unions in moving to organize government employees are sawing off the limb on which they sit. There should be no doubt they have moved into dangerous territory when they set the stage for power contests with government, a point which will be elaborated later. They have already removed much of their ideological cover by organizing government employees.

Union ideology was abstracted largely from nineteenth century socialist theory. It borrowed from socialist theory not only the notion that laborers could not get their just reward in the market but also the class struggle thesis. This thesis is essential to the classic position of labor unions. That is, unions claim to be acting for "labor," or, in other words, the working class. On this thesis, labor is engaged in a struggle with capital.[2] Virtually, all the general public sympathy for unions as well as their intellectual justification depends on the acceptance of this thesis. Remove it, and labor unions are exposed for what they are: organizations of some workers to exclude other workers, organizations seeking to benefit at the expense of others, and organized to use coercion to achieve their ends.

A Roundabout Way to the Class Struggle Concept

It is exceedingly difficult, if not impossible, to read the class struggle thesis into the organization of government employees. After all, government is not "capital." It is not a profit making organization, and it can hardly benefit financially by taking from the workers their "share" of the proceeds. To my knowledge, there is no economic theory, or even pseudo-economic theory, such as that of Karl Marx, which attempts to demonstrate that government profits by "exploiting" labor. As for such notions as the alienation of the worker from the product of his labor by government, there is hardly any way of conceiving what could be meant. Is the postman being "alienated" from the product of his labor when he delivers the mail? That will not compute,

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as a space program robot used to say.

Of course, the class struggle thesis has long since been muted in the labor union vernacular. Most labor union leaders do not avow an explicit socialism, and, while they cannot slough off the class conflict entirely, they can and do smother it in euphemisms, such as collective bargaining, democracy, private sector, and public sector. They have kept the term "labor," but the adversary has become "management."

This last development was particularly important to unions in their move to organize government employees. Government is not "capital," or even analogous to capital, but it does have something analogous to management in private industry. That is, governments do have heads of departments, bureaus, agencies, and so on. These do direct the employment of personnel in a fashion similar to which managers in business do. While there are differences between the president of a company, say, and a superintendent of education, they are analogous at least in that they are in some fashion in charge of personnel. They are alike, too, in that they may become the focus of grievances which may arise from the people over whom they exercise control.

In any case, a major thrust to the unionization of government employees got under way in the 1960s. There had been considerable organization already, but "During the 1960s the number of public employees who belonged to unions and associations more than doubled, increasing from a little over 1 million in 1960 to 2.2 million in 1968."[3] The most dramatic increase occurred in the organization of teachers. Prior to 1960 very few teachers had belonged to unions. While many teachers belonged to professional associations these were not union-like at that time. As trade unions began to gain inroads in the teaching fields, the character of the older teacher associations began to change. All this is reflected in the great increase in teachers covered by collective bargaining agreements in the 1960s. "While virtually no teachers were covered by collective bargaining agreements as of the 1961-1962 school year, a survey by the National Education Association ... during the 1966-67 school year found 1,531 separate collective bargaining agreements covering 609,034 teachers. By the 1970-1971 school year these figures had increased to 3,522 collective bargaining agreements covering 1,337,146 teachers. . . ."[4] The thrust to unionization of government employees continued apace into the 1970s.

Increased unionization of public employees was accompanied by the use of union tactics, particularly the strike, against government. For ex-

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ample, one writer describes city employee strikes in 1966 this way:

> It was prophetic that the strike of 35,000 transit workers which paralyzed New York City twelve days began on New Year's Day, 1966. It marked the beginning of a year in which many strikes by public employees occurred across the nation. There were strikes by policemen in Detroit, firefighters in Atlanta, and teachers in New Orleans, Philadelphia, and Newark. Elsewhere, other city employees who worked on golf courses, in tax and public works departments, in sewer disposal plants, on ferry boats, and in public zoos went on strike.[5]

Government Empowers Unions

Three developments in government preceded and accompanied the unionization of government employees and set the stage for it.

Chronologically, the first major development was the government empowerment of labor unions. The United States government empowered unions to organize and use various tactics on private employers in the 1930s. The central piece of legislation by which this was accomplished was the Wagner or National Labor Relations Act passed in 1935. Thereafter, it became incumbent on employers in the private realm to recognize and treat with unions who had the support of a majority of their workers. Collective bargaining was made mandatory to the extent that it was an unfair labor practice not to bargain in "good faith" with such a union. In short, the federal government imposed labor unions on many employers.

In and of itself this development gave no necessary opening for the unionization of government employees. Of course, unionists might have argued that what was sauce for the goose was also sauce for the gander, but the government gander was having none of this at the time. The distinction between government and private business had been well established. Moreover, as already pointed out, union ideology provided only a justification (or argument) for contesting with private capital.

The second development did provide an opening, however, within the framework of government empowerment of and encouragement to unionization. What happened resulted in the blurring of the distinction between private and public. (Indeed, the government empowerment of unions was a step in that direction.) It was a single development with at least two dimensions. One dimension was a rapid and sustained increase of government employees. The other was government provision of many services that had hitherto been provided privately or involved large governments much less directly.

Government employment has expanded greatly in the past half century. As one writer put it, "Government employment has been rising

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in absolute terms and as a percentage of the total civilian labor force. Between 1940 and 1967 the number of government employees has more than tripled. . . ." In 1940, government employees constituted 6.5 per cent of the total employed. By 1968, the figure had risen to 15.6 per cent.[6]

Equally as or more important, governments were performing more and more services, many of which were similar in kind and character to those provided by private business. Probably subway, street railway, and city bus systems afford the most striking example of this development. Since World War II more and more of the public transportation systems have been taken over by city governments. In many instances, workers on these systems were already unionized. The unions would have to be suppressed or recognized.

At the Federal level, the Tennessee Valley Authority shows the character of the problem. The TVA was almost from its inception engaged in producing and distributing electricity. In the course of time, it was using the various means of generation, and, in so doing, its employees were performing functions indistinguishable from those in the private power industry.

State governments, too, engage in undertakings which are similar to those of private industry. A goodly number of states own and operate liquor stores. All states have a hand in the operation of school systems. The following are examples of other sorts of state activities:

> The state of New York has long maintained a system of barge canals 525 miles in length, which it operates at public expense. . . . Harbor facilities at ocean ports—wharves, docks, warehouses and the like—are usually owned by state governments. At New Orleans a State Board of Port Commissioners . . . operates grain elevators, coffee terminals, banana conveyors, cranes, derricks, a belt-line railway, a canal, and a free trade zone. . . . Multipurpose projects including the generation and sale of hydroelectric power have been constructed by state governments in Nebraska, Oklahoma, Texas, and South Carolina. The people of Nebraska are served exclusively by public-owned electrical utilities."[7]

As one writer puts it, "More extensive examination of the various types of government activity would multiply the examples of the manner in which the functions which public employees perform parallel, supplement or compete with the activities of private undertakings."[8]

A History of Resistance to Unionization

Even so, governments resisted unionization for many years; indeed, some of them still resist it in certain of its aspects. President Roosevelt, who presided over the promotion of unionization of employees

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in private industry, opposed its expansion into government. So did most states well into the 1960s. Aside from the fact that government is not capital, there is a well defined rationale for not permitting government employees to unionize or, at least, to use many of the union tactics. It has been stated this way:

> When an American accepts employment on a public payroll he knowingly or unknowingly accepts certain special conditions which have been judged necesary by a combination of legislative, executive, and judicial decisions. Although the nature of his task, the content of his workday, and the extent of his responsibility may vary little or not at all from that of an employee in the private sector, the mere fact that his employment is *public* alters his working conditions. He is afforded certain special benefits or protections—civil service, tenure, assurance against arbitrary dismissal, nondiscriminatory selection in hiring, promoting and receiving training—and he must accept certain obligations and restrictions—rigid pay schedules, fixed qualification standards, employment investigations, security and classification limitations, and, in some cases, prohibitions against political activity and restrictions on his freedom to deny his service.[9]

The above was not written as an argument against the unionization of government employees, but it does state clearly the special status of those who work for government. It provided a basis, too, for opposition to unionization.

Major Change of Policy

The third major development was a major shift in government policy toward unionization. From opposition to it, the federal government moved toward active approval. In 1962, President John F. Kennedy issued an executive order which declared that it was the right of Federal employees to join unions.[10] In 1968, the United States Court of Appeals for the Seventh Circuit held that it was the right of individuals under the First Amendment to form and join unions.[11] This and subsequent court rulings have generally taken from state and local governments the authority to prevent the unionization of employees.

Some union tactics are still proscribed by governments. For example, the Postal Reorganization Act of 1970 "prohibits strikes, outlaws any form of union security other than the voluntary checkoff of union dues, and requires fact-finding and, if necessary, binding arbitration of collective bargaining impasses."[12] Most states prohibit their employees to strike, but a few permit it for certain categories of workers.[13]

This is the background, then, to the thrust to organization by government employees. Although there are other questions that could be asked, some of them important, I would like to restrict my discussion largely to attempting to answer two questions. First, who are govern-

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ment employees organized against? Second, what does the unionization of government employees portend?

Organized Against the People

On the surface, government employees who organize into unions are organized against the management within government. Or, to state it more bluntly, it could be held that such unions are organized against governments. One difficulty with this conception is that governments in the United States do not have an independent existence. They are agents or representatives of the people. Thus to be organized against government is to be organized against the people. So far as it goes, this way of conceiving the matter is valid.

But it is more complex than that. When unions succeed in getting an agreement they actually align the government with themselves, and both are in some measure pitted against others in the population. When the government is resisting union demands, it is performing its role of representing the whole populace. It is when the agreement has been reached that government is thereafter aligned with the union against the rest of the populace.

The explanation of these statements depends mainly on grasping that in certain essential features unions of government employees are like unions of private employees. Most opponents of the unionization of government employees have focused upon differences between government and business as employers. There are differences, some of which have been noted and a most crucial one which will be taken up below, but most of the differences are of degree rather than of kind.

Unions are unions whether they are composed of government or private employees. Moreover, the impact of union tactics reaches out to affect the population generally in both cases. If unions receive higher wages from private employers, they are generally paid by consumers. (However, unless private businesses have a monopoly, or all are organized, there may be some amelioration for the consumer.) If unions receive higher wages from government, the difference is paid by taxpayers or consumers, or both.

The central point I wish to make, however, is this. Unions of private employees are not simply or most basically organized against employers. They are organized to exclude from employment those who would work for lower wages or other benefits. They are most basically organized against other would-be workers. Beyond that, they are organized against competing providers of services or goods, and consumers generally. When an employer enters into an agreement with a union, he tacitly, and, on some matters, explicitly,

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agrees to act with the union against all the others. This is true whether the employer is private or governmental.

A Contest for Power

Most of the fears about the unionization of government employees have focused on what happens when government resists union demands. Indeed, it is a fearful prospect. What would happen when union coercive tactics are pitted against government power? It could easily become civil war on some scale. Or, government might be unable to perform its most essential functions, such as providing police and maintaining order. Governments also generally perform numerous other services, such as garbage collection, whose interruption would cause great inconvenience and dangers. There is the specter, too, of the dangers inherent in any organized challenge to governmental authority.

When governments moved to recognize unions of their employees, they also generally acted to allay these fears. They have placed restrictions on the activities of unions. The most general restriction has been the prohibition against strikes of public employees. The ineffectiveness of such prohibitions is now notorious. As one writer put it, it does no good "merely to outlaw strikes of government employees by legislation or to impose harsh penalties which management may find difficult to invoke. . . ."[14]

This should not have come as any great surprise. Unions have long relied upon the strike as their major means of getting what they want. As Jack Barbash said some years ago: "The strike is the union's major sanction in bargaining with employers. Approximate bargaining equality can be achieved only if the union is in a position to exercise an effective choice between working or not working, and the strike is the collective act of refusing to work."[15]

Jimmy Hoffa stated the case for the necessity of the strike in less elegant terms in discussions with another union leader: " 'You know how it is in the trade union movement, Sid,' he said, 'unless you can show the boss you have the strength to knock his brains in he won't yield.' "[16] The union man to whom these words were addressed said himself that "in the final analysis the issue was settled by power—whether the union had the muscle to close down the operation and keep it closed, or whether the company could take a long strike without pain."[17] While these latter remarks were made *vis à vis* strikes versus private employers, the evidence thus far suggests that unionists are intent on applying the practices to government as employer as well.

Rather than outlawing strikes, one student of the subject suggests

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that "such unfavorable working conditions as might provoke strike action must be avoided and adequate machinery must be created to prevent and remove employment problems at their source."[18] The most basic objection to this approach lies in what might well be involved ultimately if government set out to "remove employment problems at their source." The ultimate source of employment problems is that work is onerous, inconvenient, and time consuming. There is the problem, too, that compensation is never adequate to meet one's wants. It is quite doubtful, then, that any government would attempt to remove the employment problems at their source or that employees would press quite that far. (They do press in that direction by pushing for shorter hours and earlier retirement.) Even so, there are objections to be raised to the proposals. It seems to me that the author is suggesting that the government anticipate the demands and satisfy them in advance of any action. If it did so, it would, in theory, remove the occasion for the union, a move hardly calculated to please union leaders. More important, however, such solicitude for employees would make government servile to its employees.

More important still, it would make the populace in general servile to the requirements of government employees. This brings us to the second point, namely, that once government enters into an agreement with a union, it is aligned with the union against the rest of the populace. It is aligned with the union by agreement to pay certain wages which will be collected either through taxation or monopoly charges. It is aligned with the union by conferring benefits which are a charge to the public purse. It is aligned with the union in denying access to jobs except under conditions which the union has approved. In short, during the term of the agreement, the union and the government have entered into a pact with one another at the expense of the general public.

A Possibility of Union Control of Government

What lies at the end of this trail is union control of government to its own ends. This is not a prediction of what will one day happen. Rather, it is a live possibility which can be surmised from what we do know. There are contingencies which might deflect unionism from this course, but they are contingencies only. Union goals and union tactics bend unionism strongly toward control of government policy.

Despite the claims of many unionists over the years that they believe in "pure and simple unionism," i.e., unionism with exclusively economic goals within the system that exists,

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Dilution of Sovereignty

THE full, supreme, and undiluted power to govern denoted by the term sovereignty is at least as vital to the existence of secure and ordered society today as it has ever been. There is no incompatibility between governmental sovereignty and pluralism; on the contrary, pluralism properly understood as meaning a proliferation of active voluntary associations could no more survive dilution of governmental sovereignty than the personal freedom and security of single persons could. Not pluralism, then, but feudalism and anarchy are incompatible with governmental sovereignty. No sovereign government can survive the introduction of private associations endowed with similar powers of compulsion and coercion. Still less can sovereign government survive the internal dissipation of its power to govern which occurs when a competing private association, armed with coercive power, draws to itself from the duly authorized government the loyalties of the very persons through whom that government must perforce perform its socially delegated functions.

SYLVESTER PETRO, *Sovereignty and Compulsory Public-Sector Bargaining*

union leaders have a long history of involvement in political affairs. They have lobbied, taken public positions on issues, sought to secure legislation and to influence elections. Nor have they restricted themselves to what are thought of as primary union concerns: they have ranged over the field from foreign policy to social legislation.

We have become accustomed to that much union involvement in politics. But what portends with the organization of government employees belongs in a different dimension. Union tactics provide the means of bringing government to its knees when the crucial employees have been organized. If the police and military forces were organized, they would be in position to extract from those who governed what they—their leaders or a substantial number of their members—wanted. The threat alone of a strike, the establishment of picket lines, the refusal either to obey their superiors or to allow replacements to be hired, would ordinarily be sufficient to get much of what they wanted. It is to be remembered that when unions contend it is a contest of strength

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with their adversaries. The strength of the government would be largely taken away in advance when the police struck.

A Transfer of Loyalties

Unionism as an ideology and a movement aims to wrest the loyalty of the employees away from the employers and vest it in the collective. It tends also to invoke obedience to the union leaders. This is so whether the union is composed of employees in private industry or in government. So far as the unions succeed in this effort they are apt to be disruptive in private industry but subversive of government. After all, government is entrusted with great power, power which it can only wield responsively and limitedly because of the loyalty of the employees.

The reality in the United States has usually been limited loyalty of most union members to the union and divided loyalties. It is this, finally, that restrains union leaders. The limited loyalty to unions that has existed has been, in part at least, due to conditions that prevailed before governments aligned themselves with unions. Government limited the compulsive power of unions; it gave to the union member a measure of independence. That condition still prevails to considerable extent. But it is threatened by the organization of government employees.

—FOOTNOTES—

[1]Michael H. Moskow, J. Joseph Loewenberg, and Edward C. Koziana, *Collective Bargaining in Public Employment* (New York: Random House, 1970), p. 15.

[2]See Clarence B. Carson, "An Ideology for Unions," *The Freeman* (February, 1980), pp. 115–18.

[3]Lee C. Shaw, "The Development of State and Federal Laws," *Public Workers and Public Unions* (Englewood Cliffs, N.J.: Prentice-Hall, 1972), p. 20.

[4]Frederick R. Livingston, "Collective Bargaining and the School Board" in *ibid.*, p. 63.

[5]Robert E. Walsh, "The Question," *Sorry . . . No Government Today: Unions versus City Hall*, Robert E. Walsh, ed. (Boston: Beacon Press, 1969), p. 1.

[6]Moskow, *et. al., op. cit.*, p. 10.

[7]Clair Wilcox, *Public Policies Toward Business* (Homewood, Ill.: Richard D. Irwin, 1960), pp. 805–07.

[8]Sterling D. Spero, *Government as Employer* (Carbondale, Ill.: Southern Illinois University Press, 1948, 1972, New Preface), p. 7.

[9]John W. Macy, Jr., "The Role of Bargaining in the Public Service," *Public Workers and Public Unions, op. cit.*, p. 7.

[10]Harvey L. Friedman, "The Role of the AFL-CIO in the Growth of Public Sector Employee Collective Bargaining," Walsh, *op. cit.*, p. 28.

[11]Shaw, *op. cit.*, p. 21.

[12]*Ibid.*, pp. 24–25.

[13]See *ibid.*, pp. 33–34.

[14]William B. Vosloo, *Collective Bargaining in the United States Federal Civil Service* (Chicago: Public Personnel Association, 1966), p. 35.

[15]Jack Barbash, *The Practice of Unionism* (New York: Harper & Bros., 1956), p. 213.

[16]Sidney Lens, *Unrepentant Radical* (Boston: Beacon Press, 1980), p. 148.

[17]*Ibid.*, p. 207.

[18]Vosloo, *op. cit.*, p. 35.

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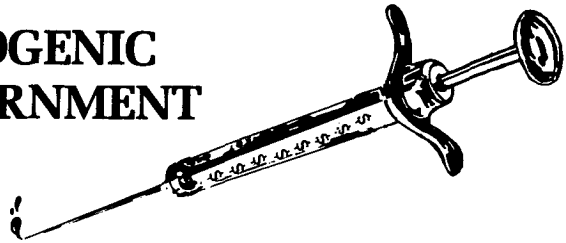
Russell Shannon

IATROGENIC GOVERNMENT



THIS past May, Mount St. Helens erupted in the Pacific Northwest. Almost simultaneously, at the other extremity of our contiguous states irate blacks erupted in violent demonstrations; 14 people perished and many buildings burned. Although the immediate cause was largely local in nature, the underlying conditions in Miami so closely resemble those in other urban cores that many people predicted more widespread death and devastation. Later events in Orlando and Chattanooga proved that these fears were not entirely unfounded.

That our cities are sick is surely no news to anyone who has seen their graffiti-smeared stores and garbage-strewn streets. The disease is chronic, the decay corrosive. The problems exceed the aesthetic: the demoralizing effects on the urban inhabitants defy denial.

Two needs seem especially urgent. We must (1) increase job opportunities and (2) improve living conditions. To achieve these ends, many public leaders insist on getting additional federal financial assistance.

But these two particular problems have another, superior solution, one that will relieve the federal government from having to butter up to cities just when Americans perceive a greater need for more guns. It will also not place further inflationary stress on our sadly ailing economy.

Instead of spending more, the government could simply regulate less. In fact, certain regulations intrude catastrophically in both these urgent areas.

One lethal regulation is the legal minimum hourly wage. In January 1981 it rises to $3.35. Any worker whose productivity is less than that will no longer be worth hiring. Many urban youths, lacking skills and experience, could not get jobs at the

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previous minimum wage. Those willing to work for less are turned away. Why exacerbate this problem?

If business firms were permitted to pay less, they could provide energetic youths with an honest income and spare them from aimlessly roaming the streets. They could also offer something of even greater value than money—a sense of self-worth and an opportunity to gain useful skills and experience. Before long, the young workers' wages would likely rise and they would be eagerly sought out elsewhere.

There is another regulation, local in scope, which should also be repealed. That is rent control. Just as minimum wages prevent companies from providing jobs, so do maximum rents discourage people from offering living quarters.

Sure, rents may be "too high" for some people in some places. But if that means landlords are raking in lots of profit, then someone with entrepreneurial drive (sometimes known as greed) will come along and build more apartments. As a result, rents will fall. People will not only have access to more places to live, but also less rent to pay.

In fact, viewed in this light, government is not the solution to some of our most important problems. Rather, it seems clear that, more often than not, excessive government is actually the cause of them.

There is a medical term which applies here: "iatrogenic." It refers to sickness caused by the doctor. Last February, for example, the *Wall Street Journal* reported on a study which, the *Journal* said, showed that "mistakes by physicians are responsible for more than one-fourth of the incidences of the leading cause of illness and death among newborns."

Iatrogenic—a medical term—refers to sickness caused by the doctor.

The term "iatrogenic" need not necessarily imply malign intent. Doctors may well prescribe medicine by mistake or provide advice which unexpectedly makes their patients worse. But in either case, the doctor's business is apt to expand.

Such behavior is not peculiar to medicine, of course. Business firms regularly strive to increase people's dependency on them. After all, that's the purpose of most advertising. Should we really be surprised, then, that government policies often turn out to increase our need for government? Just like physicians, preachers, and the producers of Pontiacs, Polaroids, and Poptarts, politicians would like to expand the market for their product.

We can observe the process at work in the field of energy. To please the public, politicians impose price controls on gas. But that causes shortages: at such low prices, there's not

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enough to go around. How do we allocate the gas? We must establish a government agency to determine who gets it!

Likewise, excess profit taxes deprive oil companies of the funds and incentives to discover new supplies and develop novel sources. What do we do? That's right! Establish a massive federal funding program to finance energy research. Iatrogenic government rides again!

Perhaps it is in the realm of unemployment that the government's iatrogenic inclinations are the most devastating. The effect of the legal minimum wage has already been described. But that is only one of a number of government policies which have the effect of increasing unemployment statistics.

Another is unemployment compensation. Certainly this program provides important benevolent effects by enabling workers who lose their jobs, through no fault of their own, to make ends meet for themselves and their families. Yet this compensation is often so generous that it almost equals the workers' net take-home pay when they are actually employed. Thus, there is little or no incentive to take a new job, so search is prolonged, and the unemployment statistics paint a grim though somewhat misleading picture.

The government's taxes also contribute to unemployment, beyond the fact that they may themselves be a serious disincentive to work. Recently there have been numerous reports about our large and growing "underground" or "subterranean" economy. To avoid the growing burden of federal income and social security taxes, more and more people are working for cash so their income will not be recorded or reported to the Internal Revenue Service. At the same time, however, in order to qualify for welfare benefits, these people may report themselves as unemployed. Once more, the unemployment statistics may be misconstrued.

All of these factors added together have increased the nation's reported unemployment rate to the extent that many economists now believe it is simply no longer possible to reduce the unemployment rate below 5.5 or 6 percent. Yet the government has a mandate, under the Employment Act of 1946 and the more recent Humphrey-Hawkins Act of 1978, to provide "full employment"—which is presumed to imply that only 3 or 4 percent of the labor force is without jobs!

In short, various acts of Congress have exacerbated chronic unemployment. At the same time, Congress has charged itself with healing the sick patient. What does Congress then prescribe? Massive

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doses of government training programs (such as CETA) and even more substantial expenditures to provide jobs. As Paul Craig Roberts pointed out in the *Wall Street Journal,* "It is, after all, unemployment that provides the rationale for deficit spending—Congress's 'something for nothing' method of giving handouts." And quite likely an appreciative but unwitting electorate will gratefully return their benefactors to office at the next opportunity!

However, spending enormous amounts of money will not assure success. R. J. Reynolds has just proven that. It recently withdrew "Real" cigarettes from the market after having spent an unprecedented $40 million to convince people of their worth.

But whereas corporate advertising at least has some prospect of success, government employment projects are almost surely doomed to be a failure at increasing the total number of jobs. Rather, they are simply apt to *appear* successful—after all, we can see the people employed by government—while actually there is almost certain to be a corresponding *reduction* of employment in the private sector which is hidden and unobserved. We should not forget that the money the government spends to provide jobs either comes directly from our pockets (via taxes or borrowing) so that we have less money to buy goods and provide jobs, or else it results in an excessive expansion of the money supply which taxes us via inflation.

An exception to this rule is said to occur during a recession, when government spending may increase employment. But the recessions of both 1974 and 1980 were brought about by restrictive policies imposed by government in an effort to reduce inflation—which government itself had caused. Once again, "iatrogenic" is the appropriate inference.

Clearly, there is an important difference here between persuasion of the private sort and that applied by government. We are not compelled to buy what producers offer to sell. If you suspect your doctor is making you sick and lose your patience with him, then he will lose his patient!

Not so with government! It makes offers which we too often cannot refuse. Its growth can put cancer to shame. Only the stout resistance of taxpayers and voters can stem its relentless tide. Unless we hold back, it will end up by ravaging us all.

By comparison, the devastation in Miami or at Mount St. Helens will seem minuscule indeed. If this judgment seems harsh, just remember: in the United States, government has already (1) deprived some people of the right to earn a living and (2) denied others a decent place to live!

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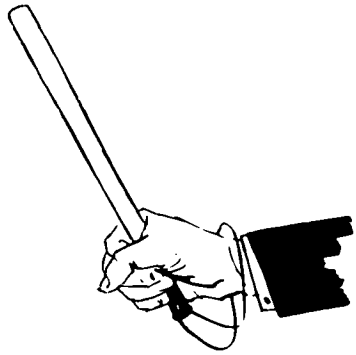
Tibor R. Machan

Individual Rights and the Police Power of States



DOES the legal system of the United States of America rest, as most people believe, mainly on the Constitution including the Bill of Rights? This is what we learn in high school and college. Few of us pursue a rigorous study of Constitutional law. So we leave school believing that the Constitution is the legal foundation of our system.

But this is only partly true. The Constitution was not developed enough initially to enable authorities to cope right off with the innumerable disputes that can arise in society. The country grew and complicated problems developed. The need for complex answers grew as well. One ready source for obtaining them was English common law.

Common law, in simple terms, is the body of enforcible rules and regulations that grow out of local disputes. A body of common law, which all countries have, outlasts most formal constitutions. The latter come in frequent successions, based on the change of political ideology. Common law is mainly free of the extensive impact of ideologically motivated legal development. Common law is the common sense of the law. It tends to withstand grand theoretical changes, just as common sense physics, which most of us know and use in everyday life, does not fluctuate with the grand changes of technical physical theory.

But there is an extremely dangerous kicker here. Common sense in

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science sometimes is no more than common prejudice. Common sense isn't immune to myth and misunderstanding. We form our ideas of the world by relying on ordinary experiences as well as on folk myths, so-called old wives' tales. The influence of myth on common sense is powerful and that's why common sense needs to be kept in check by good, updated theory. Even those of us who worry little about the technical ins and outs of the sciences, medicine, and technology can make use of a good dose of up-to-date information in these fields. The interplay between common sense and good theory will presumably steer us on a reasonably reliable course.

In law the story isn't very different. Common law is not simply pure, innocent common sense. Sometimes it embodies extensive injustice. Various social systems leave their imprint on the common law. A systematically conceived constitution is supposed to eradicate the injustices from the common law whenever possible. In the United States the Constitution is supposed to keep a check on the common law by letting the Supreme Court pass rulings now and then. This helps purge the land of leftover injustices from days gone by. It tries to keep our system of justice less contaminated.

Whether the goal is actually accomplished depends on whether the constitutional system introduced into a country is itself sound and just. If the Founding Fathers did a good job of forging the Constitution, and if the justices of the Supreme Court—and the various lower courts which rule by reference to the Constitution—interpret the document intelligently and with good will, the system can make very good use of the common law.

Resort to Common Law

Throughout the last decades, the courts have come to rely heavily on certain features of the common law which stand in direct opposition to our Constitutional tradition. In a recent case, the United States Supreme Court flatly rejected one important element of the Bill of Rights in favor of a feature of the common law, namely, the police power. The case involved a couple in Tiburon, a beautiful small city north of San Francisco, and their plans to build on land they purchased. The city government enacted an ordinance to restrict the use of the land so as to preserve open space. The court said that the municipality did not violate the property owner's rights in doing so. In writing for a unanimous court, Justice Lewis Powell said: "The ordinances substantially advance the legitimate governmental goal of discouraging premature and unnecessary conversion of open space land to urban uses and are proper exercises of the city's police power to pro-

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tect its residents from the ill effects of urbanization." *(Agins et ux.* v. *City of Tiburon).*

Where does this legitimacy come from? Not the U.S. Constitution but the common law. The Bill of Rights does not legitimate such governmental paternalism but requires, in the Fifth Amendment, that if private property is taken, just compensation must be made. The same amendment states that no one may "be deprived of life, liberty, or property, without due process of law," something that means far more than having some city officials decide that one should not have the free use of one's private property. Due process of law requires the *demonstration* that such use would violate someone's rights—injure others.

The Feudal Tradition

In contrast, the concept of the police power—according to Ernst Freund, "the power of promoting the public welfare by restraining and regulating the use of liberty and property"—is taken from English feudal and later common law. It derives from the tradition wherein the king (or the Star Chamber) is regarded as responsible for "the morals, hygiene, and general well-being of the realm" inasmuch as the king, not individual citizens, own the realm. Feudal society recognizes no private property—all property belongs to the state, to the government, that is, to the Monarch. And thus, it is the sovereign king who must carry out the management of the realm which he owns and governs. The citizens must comply as subjects.

Having partially accepted the validity of the idea of the police power from as long ago as the early 1800s, the various courts of our country have in fact tried to mix feudal with republican constitutional law. But these two are opposites, if not outright contradictories. In feudal systems the king is sovereign, the citizens mere subjects. But, in a (constitutional) republic citizens are sovereign, government their servant. In feudal systems, due process of law means doing what the king commands, with some checks from his court, more or less severe, depending upon the incursions of citizenship sovereignty within the system. In a republic, due process of law means not intervening with the actions of citizens unless it is demonstrated that some wrong was done to someone or some considerable danger exists which would require the intervention.

Recent Interpretations

In our day the idea of individual sovereignty is no longer widely embraced. The Bill of Rights is gradually being abandoned by political theorists and justices of the U.S. Supreme Court alike, in favor of the

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virtual absolute sovereignty of municipalities, counties, states, and the federal government. Citizens who bought land in good faith, have their land taken from them for public use, without having been convicted of any wrongdoing. The only due process invoked here is that of the feudal tradition.

Many people believe that the ecological and environmental consciousness of our times marks a progressive turn in our country's history; we leave the old behind and introduce the new, the yet unheard of, so as to cope with new problems. What our legislators, city councils, and now our Supreme Court have actually done is to turn back the clock to an entirely different—some would have thought best forgotten—period of human history, namely, feudalism.

Instead of relying on the principle that a person is innocent until proven guilty, thus immune from having his liberty infringed without such proof—including the liberty to do with his property as he desires and to resist the desires of others—the current idea is that property is managed by the state, the true sovereign, and individuals must go for permission in order to make use of it.

Even if the gradual revitalization of the police power of various governments meant the emergence of socialism, it would not amount to progress toward some new era. Socialism in practice is but a form of feudalism, with the elite less attached to tradition and custom yet still insistent on central management of the realm. The mixture of constitutional and feudal law, however, is taking our system toward fascism.

It is in fascism that control of the means of production is wrested from individuals and corporations, while title remains with the nominal owners. The burdens of shouldering the responsibility involved in ownership stay with these persons and organizations, while determination of use and disposal of the fruits of production is assumed by the state. Socialists and feudalists are more honest than this—they reject private property outright. Fascists perpetrate a grand fraud by pretending that citizens are sovereign in law respecting their labor and capital.

Individual Rights Violated

Clearly there is an urgent need for coping with the spillover effects of the use of property, including the use of land in urbanization. The legal system of a human community needs to cope with the widespread possibility and reality of such spillovers. But it is wrong to believe that government regulation and usurpation of private property is the means to do this.

Not only does that approach vio-

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late individual rights, which is grossly unjust by itself, but it is a deadend. Professor Garrett Hardin reminded us recently, in "The Tragedy of the Commons" (*Science,* 162 (1968), pp. 1243–48), of what Aristotle demonstrated in his *Politics* (Book II, Chapter 3), namely, that "What is common to the greatest number gets the least amount of care. Men pay most attention to what is their own: they care less for what is common." This points up the usefulness of the private property system. But there is more. Numerous specialists in decision-theory, including, first of all, Professor Kenneth J. Arrow in his book *Social Choice and Individual Values* (Yale University Press, 1963, 2nd edition), have determined that it is *impossible* to have both a democratic respect for everyone's interest and rational collective planning. Not only does the system of private property respect the rights of individuals to the fruits of their labor and good judgments; not only is this system a very useful device for managing scarce resources in society; but the alternative of public control seems to be *inherently* irrational as well. The police power of the feudal age is, therefore, plainly wrong for us.

Why did the police power have a long and vital career? Because feudal rule did not pretend to be democratic—namely, respectful toward *all* the individuals in the realm. The futility of incorporating the police power into republican constitutional law comes from no one really wishing to give up the idea of government as servant of the people. Once that idea has been abandoned, the plain truth is that decisions made at the top will not be made *for the rest of the people* but for those at the top.

In Defense of Property

The only alternative left to this dismal prospect of an outright dictatorship is the expansion of the private property system. It would expand the power not of the police, as it were, but of individuals, but only within the relatively narrow realm of each or the large but *voluntarily* pooled realm of many (as in the domain of corporate commerce). While this alternative may appear to be muddy and confusing, it is, as F. A. Hayek has argued in his "The Use of Knowledge in Society" and "The Results of Human Action but not of Human Design," far more rational and intelligent than any centrally organized management of the commons, proposed so vigorously by today's followers of Platonic idealism who place their faith in the state. ●

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E.W. Dykes

MARKETS or EDICTS?

THE so-called energy crisis in the United States is entwined with such other issues as inflation, balance of payments, national security, foreign policy and the maintenance of individual freedom. And resolving these other issues is critically tied to the solution of the energy problem. Shall we forfeit another large measure of freedom, for instance, in the hope for gasoline on Sunday at a price we would prefer to that set by the market?

Unfortunately, it appears the die has been cast. As we have done so often in the past through our elected leaders, we have chosen the route of legislation, of regulation, of decisions "made on high," of throwing money at the problem, apparently altogether unaware of the dismal record of this process in the last fifty years or so. It is a process which has never demonstrated its usefulness; lacking basis in sound principle, it has no chance of truly solving the so-called energy crisis. Our situation demonstrates once again the utter futility of such a course. If there is no real shortage of energy-producing fuels, we are far along toward being regulated into one.

I am not as critical of our leaders as I am of the rest of us for creating the climate attractive to those who would apply political measures to problems much better solved by the market. We create such leadership by retreating from responsibility in a mad rush for security. In other words, we are continuing the course which indicates a lack of faith in free men. Free men made this country great, and they did so through their own decision making. Once again, we must make our own decisions. So dramatic are the results of that process that I have come to see it as a law of the Cosmos. Individual freedom invariably is the condition in the society which shows real progress.

Individual freedom may be defined as the unassailable, God-given right for each individual to act as he wishes so long as he does not interfere with the equal rights of others to act as they wish. Note that in this

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definition no one is given license to interfere with his neighbor under the guise of freedom.

A couple of decades or so ago, when the welfare state was still debatable, its proponents would say to an advocate of freedom, "Yes, but you can't eat freedom." Today, the same idea would be stated, "Yes, but you can't put freedom in the gas tank." Such an argument tends to be convincing until one realizes, from a careful study of history, that it is only in those nations where freedom has had a large measure of acceptance that people have eaten well. Turning the same idea to gasoline—a part of the energy problem—it can be shown that an exorbitant price per gallon of gasoline in Russia would be unlikely to stir up a revolution because so few Russians own cars. And if you have paid attention to the pictures coming out of China, why are all those people on bicycles?

Only through a change in attitudes at the grass roots in America is it likely that any substantial change in policy will occur. Time may yet remain to reverse our present course before the next big crisis—whatever that may be—comes to lop away another portion of our remaining freedom.

I have served recently in a lecture series on the so-called energy crisis. More than half of those who preceded me spoke disparagingly of regulation. One speaker said he believed our problem started with the 1954 decision by the Supreme Court which permitted the regulation of the price of natural gas delivered through interstate pipelines. Although I think our problem started much earlier than that (I like the year 1913) I am willing to start with 1954.

As soon as the regulated price of natural gas was below the price a free market would have set, two things—at least two things—began to happen. First, more and more gas was consumed than would have been the case with unregulated prices. Second, fewer and fewer people were interested in risking their money to find more gas. Whatever else one might say for price fixing, it is a sure formula for a shortage.

I do not know to what extent our tax laws, our depreciation allowances, our control of prices, and the like led to imported oil, but I do know that at least we had oil. The Saudis and the other OPEC nations cannot use all their oil—they must trade it for things they don't have. Speaking from a purely selfish standpoint, it makes more sense for us to use their oil than our own. For years we bought their low-priced oil for dollars which were depreciating in value in response to our domestic inflationary process. It is no surprise that OPEC suppliers should react, albeit over-react perhaps, to our policies of inflation.

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We responded by continuing price controls on our own petroleum products, by reducing the depletion allowance, and by following a phased relaxation of price controls on petroleum with what is euphemistically called, "a windfall profits tax." In addition, it is now reported that seven states are planning to enact taxes specifically on petroleum production. These only can do harm. We have enacted laws making it more difficult to drill, have discouraged the building of refineries wherever and whenever they have been proposed and, in general, have treated these prospective producers as if they were scabs and scoundrels. None of these seem like the things we should be doing to increase production.

The process which made this country great and rich and powerful is not a deep mystery. It started with a spiritual idea—that men should be free to exercise their own powers of decision so long as they did not interfere with the equal rights of others. Our Constitution and Bill of Rights were a guarantee of such liberty. With such freedom to try, men set about producing and building as never before on the face of the earth. Innovation and invention were everywhere apparent. In the market place, if a product became much higher in price because of short supply, then substitutes—usually better methods and products—were found to take its place. And in those times government was largely restricted to keeping the peace.

Then, we set about making true the dire prophecy of Alexis de Tocqueville that democracy would fail in America. In effect, he said that when politicians found ways to promise things to some voters at the expense of others, this great and noble experiment would fail. The politicians have found a way; we have been going the route of transfer payments and our future does not look as rosy as it once did. But it does not have to end that way. So long as we can still express our opinions, there is the opportunity to restore freedom and accept individual responsibility for our lives.

For whatever reason, we do seem to face an energy shortage. It has come about by edicts, unnatural processes which interfere with the free flow of energy—in this case, human energy. We must again embrace the time-tested process: follow the natural law of individual freedom, and these other things shall be added. So let us remove controls, cut taxes which inhibit enterprise, stop inflation, reduce regulation. When such restrictions are lifted or greatly eased, then prices will ration scarce resources, profits will direct investments and losses will eliminate the inefficient producers. The free market must replace edicts. This is the formula for abundance.

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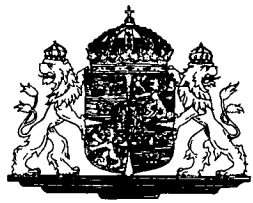
Eric Brodin

SWEDEN'S WELFARE STATE:

A Paradise Lost



THE SWEDISH WELFARE STATE was initiated in 1932 and has long been heralded the model of the middle way. Seldom has there been so unique an opportunity to judge whether a vast socio-economic experiment, developed uninterruptedly for five decades under optimum conditions, will work or not.

Whether it is correct to call Sweden a socialist country depends on the definition we use. If socialism means government ownership of the means of production, then Sweden is not socialist. Perhaps not more than a fourth of the means of production is in government hands, although that now includes all wharfs, most communications, transport, forests and mines. I prefer to call Sweden a Social Welfare State. The creators of the Swedish Welfare State in the 1930s were Marxists of sorts, but they allowed a pragmatic attitude of gradualism to modify the radical ideological demands of state ownership. But if socialism means control over the results of production, there is no doubt that Sweden is a socialist nation; and the prime means of government control over the results of production is through taxes—now the highest in the world for the 8.3 million Swedish people.

Noted among the founders of the Swedish Welfare State are Gunnar and Alva Myrdal. In a book on Swedish Population Policy written in 1932 they stated: "The Scandinavian countries, and particularly Sweden, by historical accident, are given the most advantageous set of prerequisites for a bold experiment in Social Democracy [social welfare

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state]. If it cannot successfully be developed in Scandinavia, given by historical chance quite exceptionally advantageous conditions, it would probably not work out anywhere else." These conditions include an unbroken peace for 150 years, a nation completely unscarred by two world wars, and with an industry intact which could be transformed from arms manufacturing to manufacturing the goods desperately needed by Sweden's war-torn neighbors. It is a tightly knit, highly industrialized, remarkably homogeneous country rich in raw materials, including hydroelectric power, huge forests and rich sources of iron ore in the north.

From the 1930s through the 1960s Sweden developed a new social welfare state, sometimes called the Mixed Economy, containing both elements of private ownership and government control. That involved retention of the basic manufacturing in private hands, but accompanied by a taxation policy which was to bring about a redistribution and equalization of income. This was to be accomplished through a vast social welfare machine to insure every Swede against practically every exigency. The private and municipal insurance programs were the first to be integrated into a central compulsory system even before the Second World War. In the 1950s came the integration of nearly all pension plans into a compulsory government administered system.

Taxes

To finance the elaborate womb to tomb or cradle to grave welfare system requires a lot of money. And the Swedish government has only the revenue collected through taxes and "social fees." Today no less than 64 per cent of the Gross National Product goes to the public sector to finance the system. From 50 to 60 per cent of the salary of a typical industrial worker is taken in taxes. But in addition to this basic income tax, there is an additional 22.5 per cent in value-added tax (VAT)—a form of sales or excise tax on all goods and services, including foodstuffs.

The Swedish Confederation of Employers has given us a concrete example of how the subsidy-taxation distribution system works. Let us say that a man with four children and a wife not working, earns $4,600; add to this the social subsidies to which he is entitled, and he has an after tax actual income of $14,000. But let us say that another man with the same sized family earned initially $23,000; after taxes, and with little likelihood of subsidies, his income also would be $14,000. Presumably the higher earner is also the harder worker, but what is the incentive in keeping that up? Of course this has a tre-

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mendous effect on productivity. It is no longer worthwhile to work. The difference, for example, in working full time and working half time is a mere $2,000 for the year, and a lot of people are choosing more leisure instead. Professional people such as doctors, dentists and lawyers seldom work more than five months a year.

The situation for the private entrepreneur is especially difficult. What is not generally recognized is that the employers' compulsory contribution toward employee benefits is nothing but another form of payroll tax. This averages 40 per cent on top of the salary which, of course, means that the "government bite" of the total wage is even higher than the 50 to 60 per cent indicated. Many small entrepreneurs, operating on a tight profit margin, cannot afford this additional burden, and face the options of going out of business, dismissing employees, or cutting back to a one-man operation.

Underground Economy

It is said that the only expanding sector of the Swedish economy today is that of the underground economy—the secret sector. The burden of reporting and paying a 22.5 per cent sales tax has made it almost common practice in Sweden to ask if a transaction is to be "with or without receipt." It has been estimated that as much as a third of the work by painters, carpenters, mechanics and the like is performed in the secret sector—untaxed. There does not appear to be any way in which government representatives can determine and prosecute this growing practice. Despite tremendous manpower resources (at least one third of all in Sweden are working for some form of government) they do not have enough people to prevent the secret sector from expanding.

Sweden is becoming a barter trade society. And this barter trade takes many forms. As a genealogist I searched the ancestry of my dentist, while he fixed my teeth. A plumber friend of mine could decorate his home with oil paintings in a deal with an artist acquaintance. And so on.

The malaise in the Swedish economy is in no small part due to the taxation policy which rewards indolence and encourages illegality. Even Gunnar Myrdal calls for new tax legislation: "Swedish honesty has been a source of pride for me and my generation. Today, however, I have an uneasy feeling that, due to bad tax laws, we are more and more becoming a nation of cheats."

The Absent Worker

There are many other ways in which the employed demonstrate their unwillingness to continue sharing the tax burdens of financing the elaborate welfare state sys-

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tem. With an illness insurance system paying 90 per cent of wage compensation, absenteeism is spreading like some contagious disease through the Swedish employment sector. On any given day 10 per cent of Sweden's labor force is absent. On Mondays and Fridays absenteeism may reach 20 per cent. At times the Volvo car manufacturing plant or the Kockum Wharf in Malmö have recorded the absence of 25 per cent of the working force, and this has also occurred in some hospitals. How can an economy stand such loss of productivity? How can an export-dependent economy compete in international markets against new industrial nations such as those of Asia whose workers perform efficiently?

With each liberalization of the illness insurance system in Sweden, the increased "absence due to illness" has jumped—by as much as four million working days in a year. The employers' association desperately urges legislation which would restore the three-day waiting period before the insurance program takes effect. This would remove the temptation for leaves of short duration which often require no doctor's statement.

Absences are not due to illness alone. There are at least 12 different reasons for "excused absences" with pay from the Swedish places of employment. In a recent experiment, I tried to phone ten persons at their places of work and found only two of them available and in their offices. When I asked why they were absent, I was given an indication of the range of "excused absences." One man was taking advantage of the law which encourages the man to leave his place of employment to take care of a child (freeing the mother, presumably to enable her to go to *her* employment). Another one was said to be home caring for a sick child. Another one was taking a course in the Swedish language. Still another one was taking a union-administered course in how to be "a worker's representative" on a company board. Still another was absent in order to take care of a document at a government agency. And so on. These are not cases of absence without pay. Either the employer has to pay in full or the employee gets compensated from one agency or the other of government.

The Public Sector

To provide the funds for such an elaborate system requires an immense bureaucracy, and the one-third of Sweden's work force which some call the non-productive sector must be paid. Today 64 per cent of the total GNP goes to support the public sector's increasing demands. And they will keep on growing because there is a cumulative effect to these demands. The share of the

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GNP going into the public sector increased by 20 per cent between 1950 and 1980. When the first non-socialist government since 1932 came into power in 1976, some of the groundswell support from the right thought that some alterations would be made in the social welfare system. No such thing has happened. And the cost-indexing of various forms of subsidies will cause the problem to grow as the inflation continues.

The idea of the welfare state gains support from many quarters. The state-owned radio and television monopoly, for example, is required by law to devote 40 per cent of its programming to "informative" programs and these often take the form of propaganda for and about various social welfare measures. Advertisements in newspapers and on vehicles proclaim: "Did you know that you don't have to be married to get a housing allowance?" "If you're 18 years old you may still qualify." The result is an increased degree of utilization, and a peculiar interpretation which defines Sweden's high living standard by the increase in the number of persons living "on the dole."

The Budget Deficits

Sweden's national budget reveals the increasing burdens of the public sector on the national exchequer. And the budget also reveals, through its deficits, the inability of Sweden to finance these increases. The deficits grew from 649 million crowns in 1960 to 50.2 billion crowns in 1980. Much of the budget today consists of transfer payments, currently about 40 per cent. These consist of revenue-sharing to local governments, transfer payments to families, and subsidies to ailing industries, the last of which amounted to 7 per cent of the budget in 1978. In view of the failure by Swedish industry to compete for the reasons mentioned above, many enterprises are failing, especially in shipping and in the textile and shoe industries.

Inasmuch as the labor unions are still very strong (and Sweden has more of its labor force unionized than any other country) there are always pressures for the government to bail out ailing industries in order to maintain employment. This is done by various forms of subsidies, all of which are also subject to some misuse. The government has thus become increasingly involved in producing items which cannot be sold, and for which there is no market either at home or abroad.

The Real Face of Unemployment

It is necessary to turn to the unemployment situation to understand the current Swedish economic problems. Full employment has always been high among the goals of Swedish planners. But the government has been forced to take exten-

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sive measures of intervention in the labor market. For years government spokesmen have maintained the fiction that Swedish unemployment is among the world's lowest. Such statistics can only be maintained if the real extent of unemployment or under-employment is hidden.

Dr. Sven Rydenfelt has exposed the myth of full employment in a number of articles in Sweden and abroad. He points out that there is an official figure of 2 per cent unemployment, or 94,000 of a work force of 4.1 million (half Sweden's population). However, WPA types of "make work" employed 3 per cent in education or public work schemes. Investigations reveal that 25 per cent of the college students in Sweden are there simply because they cannot get work, or a further 2 per cent. Then there is an additional 90,000 who have asked for "early retirement" because they want to provide work to someone else, another 2 per cent. Finally, there is the 2 per cent employed in industries which are not economically viable, but which continue to hire workers only because of government subsidies. Dr. Rydenfelt concludes: "If these items are added we find a total of 11 per cent unemployed, a share which better reflects the realities of the Swedish labor market than the official reports." While the work force in private manufacturing was reduced by 100,000 in the five-year period 1975-1980, it is significant that employment in the public sector rose by 250,000 during that same period.

Conclusions: A Welfare Society in Trouble

The Swedish Welfare State faces deep problems today. Many Swedes were jolted into some awareness of the depth of the crises during the General Strike in May 1980. Curt Nicolin, chairman of the board of the Swedish Employers' Association, said in 1979: "It is high time we comprehend that we are under severe threat ... we, like sleepwalkers, have moved straight into an economic crisis so serious that we must count upon social unrest and the loss of freedom for most of us." Certainly the strike and lockout, and the further extension of the conflict by the Longshoremen's Union, are part of this social unrest. But there are many other indications, which are apparent for those who study the moral effects of the present crises in Sweden's welfare state.

In the economic sense, it is important to realize the limitations in the nature of the welfare state itself. Feeding upon itself, it is slated for extinction. The German Marxist Jürgen Habermas defined the dilemma in these words: "The division of labor between the state and the private sector that forms the basis for the Swedish model, requires that a continually increasing share of the

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national product be transferred to the public sector. Technical and economic changes must be accompanied by enormous public investments in order to insure the stability of the society. There is a point where a dislocation in the social structure caused by the free play of the market forces, becomes so great that the people are no longer willing to pay the price of the necessary remedies. The demand for security remains, but the desire of each person to contribute to the cost of this security diminishes. The welfare society then faces a crisis of confidence."

Those who seek to find the causes of the Swedish welfare-state *malaise* too often treat the symptoms not the cause. In some cases they prescribe medicines, like ineffectual nostrums, that long ago proved wrong. While they seek in international economic developments the *bête noire* behind the failure of the "Swedish Model" they are unable to question the Swedish welfare state itself, or any other welfare state. It is, of course, no longer just an "economic problem." The interdependence of economic and moral crises are well documented, not the least in the case of Sweden. At a time like this, it is worthwhile to recall the wisdom of a man who still speaks with a voice of authority to a living generation, Wilhelm Roepke:

"The desire for security, while in itself natural and legitimate, can become an obsession which ultimately must be paid for by the loss of freedom and human dignity—whether people realize it or not. In the end, it is clear that whoever is prepared to pay this price is left neither with freedom and dignity nor with security, for there can be no security without freedom and protection from arbitrary power. To this exorbitant price must be added another . . . namely, the steady diminution of the value of money. Surely, every single one of us must then realize that security is one of those things which recede further and further away the more unrestrainedly and violently we desire it." (*A Humane Economy*, p. 172)

Clarence Manion

IDEAS ON LIBERTY

WITHOUT the wide diversification of talents, taste, abilities, and ambitions that now and always exist among men, Society could neither feed nor clothe itself. It is consequently a wise provision of Providence that causes the perpetuation of endless variety in the desires and capabilities of human beings. Sparked with personal liberty and the natural personal incentive to own property and advance economically, this conglomeration of inequality synchronizes into a great engine for the sustenance and progress of mankind.

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Jess Raley

HIT or *RUN*

It doesn't happen often but on rare occasions one may obtain a bit of pertinent information from a newscast. Last evening was one of those occasions. I was watching the late news, hoping to get the baseball scores, when this person came on (she was not one of the regular news team). She was protesting vigorously the Supreme Court's decision to the effect that the general public was not responsible for every woman that happened to turn up pregnant and, therefore, could not be forced to pay for an abortion if the woman elected to have one. (May I say here, before anyone prepares to take sides, that this piece is not about abortion per se. I hope to leave that can of worms for someone smart enough to pinpoint the precise point in time that an individual's inalienable right to life becomes effective.)

The person on the newscast stated emphatically that the court's decision stripped women of their constitutional right to have an abortion, if they wanted one. I didn't even know that the Constitution had ever granted to individuals the privilege of having an abortion at public expense. I did know, of course, that the court had ruled, sometime in the not too distant past, that it was a woman's prerogative to abort a child she didn't want, but I had not even suspected that the legal right to do something carried with it an obligation on the general public to pick up the tab. I wonder what John Marshall and the free men who worked so diligently to hammer out that old document would have said about that.

My curiosity being aroused, I followed reaction to the court's decision in the papers for a couple of days. Consensus seemed to be that the court's ruling would cost taxpayers quite a bit of money in the long run since many children that might have been aborted would have to be fed, sheltered, clothed, educated, and provided medical attention at public expense—all in accord with their constitutional rights, of course. I wonder, quite often, where one could obtain a specimen of this new constitution. Never having been privileged to see a copy I don't know ex-

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actly what it says, but hearing people quote from it so often, I can tell that it is not the same document old man Daniel Carroll and John Rutledge put their signatures on.

When I talk with members of Congress about this new interpretation of the Constitution they tell me, when they attempt to answer at all, that the legality of all these things flows from the Preamble that states the document was drafted, in part, to insure domestic tranquility and promote the general welfare. When one takes time to consider that anything the government gives to one person must first be taken from another, no firm ground remains from which a defense can be mounted for the proposition that any program of wealth redistribution is good for the general welfare. Certainly those on the receiving end would be something more, or less, than human if they failed to fight, tooth and nail, to hold their position at the public trough. But despite apparent consensus to the contrary of our top-heavy bureaucracy, the people who work to produce the wealth those freeloaders are fighting for are, too, a part of the general public.

In the matter of domestic tranquility, quite frankly, I had always thought that if the powers that be could keep people of different persuasions from coming to blows, or get them separated before too much damage was done when they did get together, that this item was being properly attended.

As best I can tell from looking, listening, and reading, a great many Americans have been conned into believing that anything an individual is at liberty to do is a right guaranteed to them by the Constitution of these United States. More than this it seems to be generally assumed that the public is bound by that same document to pay, on demand, for the implementation of these rights.

That our liberty flows from the Constitution is a fallacy, of course, since the concept of inalienable rights referred to in the Preamble to the Declaration of Independence was accepted by the American people as a fact long before the break with England. After they gained independence the people soon realized that a few of these rights would have to be vested in a central government strong enough to keep the peace at home and, hopefully, protect the nation from foreign invasion. Actually most of those inalienable rights so zealously guarded by the people had been vested in their respective state governments for some time. Therefore, it was really the states, much more than individuals, that contributed enough of their sovereignty to enable the federal government to function.

Liberty, as referred to by the founding fathers, presupposes a re-

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sponsible, self-sufficient body politic. This fact is obvious since freedom will not emerge, nor can it for long abide, in a less desirable social atmosphere. The only real reason for laws in a society of free men is the sad fact that each generation is known to produce a few individuals that are irresponsible and must be ejected from their neighbor's storehouse from time to time. When this breed becomes a majority, or when government gives them a key, there is no longer a free society.

The people of these United States have been bartering their liberty for the proverbial bowl of pottage for so long that there are very few rights left and the pottage is getting real thin. Now the cities and states are also coming to heel. Since revenue sharing was introduced, most city governments have added personnel and expanded service beyond the capacity of their tax base and from time to time must go, hat in hand, to the federal government for a handout. Many congressmen keep their seats by bragging about the huge amount of other people's money they have been able to channel into their district and promising even greater spoils in the future.

We read with agony of people in other lands who are forced to submit to programs of re-education so that their thinking will be in accord with a new ruler. But we largely fail to grasp the sad fact that Americans who were educated in the free market era must re-educate themselves for survival under other terms and conditions.

Thinking about the programs, schemes, and plots government has advanced to help people, cities and states on one hand and all the rules, regulations, restrictions and taxes it has invoked to confuse and impede on the other, I often recall my grandfather's philosophy of life. Reared during the Civil War period, the old gent was largely uneducated and a little on the rough side, but he held firmly to one cliche that I have come to appreciate more and more with the passage of time. "Son," he would say, "when a body comes around wanting to do you a big favor, for no good reason, or give you something for nothing, hit him just as hard as you can. If you see you can't knock him down, run just as far and as fast as you can. There be no other way to hold your own with that kind."

Reared with an educated, verbose, generation myself, I have often found Granddad's philosophy very difficult to advance or even defend. But I do know this—he and his generation passed the torch of freedom to their progeny burning no less brightly than when they received it from their forefathers. More than anything and everything else, I wish that my grandchildren could say as much for me and my generation.

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Ben Barker

ideas... (noble and otherwise)

SINCE the dawn of recorded history, man has conjectured as to the identity of the most valuable commodity on Earth. In recent years gold, silver, platinum, raw land, improved land, oil, race horses and a host of other esoteric materials have vied conspicuously for the title of "most valuable." But none of these items is even a close second. The most potent, valuable and elusive commodity on Earth is a good idea. Ideas move men and nations, change the flow of history, and always spring from the inspired mind of one man or one woman.

Although men create ideas, they understand them quite poorly and have little comprehension of their true value. Few, for instance, are able to conceptualize that *all* existing major industries, institutions, organizations and edifices began as a single idea. Nations, both great and small, owe their existence and development to a complex fabric of interacting ideas. Wherever there are men, there are ideas—and where there are noble men, there are noble ideas.

In order to understand ideas, we must begin with the dictionary definition:

1. a thought; mental conception or image; notion
2. an opinion or belief;
3. a plan, scheme, intention;
4. a hazy perception, vague impression, inkling

(Webster's *New World Dictionary,* 1965)

What these definitions supply is the commonly accepted usage of the word. As we shall discover in this

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analysis, however, these concepts fall far short of defining an idea. It is a bit like believing that an acorn is an oak tree. Ideas have life cycles and merely begin as hazy perceptions, mental conceptions or notions. Very often they go no further but, in those cases in which ideas move on, we can discover their true value. The search resembles the process of ore mining: tons of dirt must be sifted in order to turn up a few ounces or pounds of the metal desired.

An apt analogy for an idea is a plant. Its seed is borne upon the cosmic wind, is sown within the mind of man and either finds nourishment there or withers and dies. If it is nurtured, it takes root and begins to proliferate. Proliferation involves penetrating the thoughts and minds of others, growing there and eventually becoming a part of accepted reality. To this point, then, we have looked at these steps in the life cycle of an idea: implantation, germination, proliferation and, finally, growth. These steps are both sequential and simultaneous.

One of the most poetic demonstrations of the process under consideration involves the idea of human flight. Originally, a presumptuous daydream mocked in ancient mythology, it found root in countless generations of souls who met ridicule and frustration as they tried vainly to implement their dream. Eventually, fixed-wing gliding flight was discovered by a single anonymous individual and spread horizontally. Then a pair of bicycle mechanics married that idea to two others: the propeller and the internal combustion engine—and the airplane was born.

The process of horizontal proliferation continued and the airplane became part of accepted reality. Simultaneously, vertical growth occurred as more complex and powerful airplanes were built and more men became involved in flying them. Other idea marriages were conceived and implemented: airplanes for mail delivery, group travel, bombing, surveillance, and the like. And an industry was born and grew before our very eyes. So it was also with oil, automobiles, radio, television, newspapers, computers.

Industrial Development Depends upon Free Will

What too few realize is that this entire process is dependent upon a sensitive variable called free will. If any one idea or ideology becomes so dominant in a social order that it *refuses to allow* implementation, germination or proliferation of other ideologies, the result is stasis and dissolution. In the Nazi Third Reich, post-1917 Russia, and revolutionary Red China, the dominant political party took on the role of the arbiter of the appropriateness of cultural ideas. The consequence of such con-

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trol by a dominant ideology is always predictable.

So, we see that in the latter stages of development, an idea can become very powerful and suppress other ideologies. This is a type of malignant degeneration, much like cancer in the body, and can occur no matter how noble the idea at its inception. In a forest of giant redwoods, no other seedling has a chance.

What seems to be remarkably consistent in the degenerative stages of ideologies is that their proponents gain control of the apparatus of government, then use this mechanism to suppress competing ideas. Is there a way to prevent this process of idea growth and development from going too far? Can an ideal medium for competing concepts be preserved? Or are we all destined to live through one era of malignant degeneration after another?

It is quite possible that this was precisely the set of problems that those who framed the Constitution and the Bill of Rights were working on. They were indeed men of wisdom and prudence and it would be folly to discard their valuable contribution to civilization. Yet that is evidently what is going on in this era of governmentalism. We are now living in an epoch of malignant degeneration of a once noble idea. That idea was that the mechanism of government could be used to halt poverty and to improve the lot of the common man.

An Idea Gone Sour

Who knows how this idea was born? Perhaps it came out of some individual's translation of the intent of our own Constitution. It certainly was stated plainly by Marx as the intent of his Communist Revolution proposals. But has poverty ended in the USSR or her satellite nations? Is Cuba sailing into economic bliss under Castro? Has our own "war on poverty" succeeded?

The answers to these questions are obvious. Both Soviet Russia and socialist/capitalist America are choking to death on an idea gone sour—that government in and of itself can improve the lot of man. It cannot. Not by force of arms or with countless billions of dollars. The lot of man will improve only when and if new ideas are allowed to compete freely in the marketplace of mind for growing space. The sweat-stained bicycle mechanic must be free to divert his money and energy toward his impossible dream before man can fly. There is no other way.

That such a teeming marketplace of competing ideas existed on the American continent from 1750 to 1950 is the true secret of our explosive development in all areas during that time span. Individual initiative, private property, free enterprise—all of these are positive

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expressions that describe a missing negative force.

That negative force can be created and perpetuated by any ideology grown so mighty that it prohibits by coercive tactics the implantation, germination or proliferation of other ideas. It pre-empts the marketplace much in the manner of out-of-control weeds in a garden—and the garden dies, taking the weeds with it. Well, today's ideology of government-as-benefactor-to-mankind is the out-of-control weed. It masquerades under many titles: liberalism, environmentalism, humanism. But they share a common variable: coercive restriction of others in the name of a cause.

"From each according to his ability, to each according to his need" is an idea that appears to have skipped across cultural lines and permeated Russian, Asian and American societies. It is at the heart of a collectivist philosophy which conceptualizes a mechanistic, scientific universe and seems far from a noble idea. Yet it is running wild, encouraging statism and socialism, and stifling individuality and creativity. The mass man in the enmassed society is the product of today's dominant ideology which appeals to popularity with the crowd and to the longing to crush that with which one disagrees. Socialism and statism worship government as the embodiment of force.

Together with this obvious enthronement of the government apparatus itself is a pronounced tendency on the part of modern man to imbue bigness itself with magical qualities. So we see the marriage of diverse overgrown ideas to produce not growth and development but stasis and corruption. What chance has liberty and self-realization in such a repressive environment? More a chance, possibly, than even the most optimistic viewer can appreciate.

Associates in the field of behavioral analysis have assured me that the United States government would continue to debase the dollar until it became worthless. That pattern was in tune with historical precedent, they said; those in power abuse that power until it destroys them. Why, then, is our nation now in a recession? Can it be that an invisible hand independent of governments is at work? Will the dollar once again become a valuable currency?

Signs of Regeneration

The idea churning away in my own mind is that thinking Americans will join a silent revolution to save our nation and our currency before they are destroyed by our blind leaders. That is what the tax revolt is about. That is why conservatives are winning seat after seat in local and national elections. A new idea is taking root *despite* gov-

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ernment efforts to snuff it out. That idea is that the individual does matter, that truth and honesty are virtues of worth, that love, sacrifice and concern can produce social orders that move toward greatness.

Freedom is the essence of a noble idea. In the case of manned flight discussed earlier, what if the railroad and trucking industries had used government coercion to halt aircraft development? Most would agree that such would have been a reprehensive, counterproductive use of power. Well, that's where the government apparatus is today in more fields than can be conceptualized. Entrepreneurs, who are the most fertile soil upon which new ideas can be sown, are hamstrung by countless regulations emanating from our overgrown government bureaucracies. These regulations are conceived and enforced to "protect the public." What they most often protect us from is progressive enrichment of our lives.

A Powerful Idea

Pessimists believe that big government and big industry will always retain their control and dominance over our lives. They may be correct. On the other hand, freedom does not always lose. In a recent book entitled, *World in the Grip of an Idea* (Arlington House, 1979), Clarence B. Carson talked of a teacher he admired: "Jesus showed us the true might of a lifestyle based on God's laws, in this he was man incarnate. Of the things of this world he had none of any consequence. He was born in a stable, in a trough from which the animals ate. His parents were people of low estate. No organization ever set its seal of approval upon him. He lamented the fact that he was without honor even in his own community. He became an itinerant preacher and gathered about him for support only twelve men of uncertain loyalty.

"In all those things which a man is supposed to have in order to make an impact he had none. Men of authority suspected him of sedition. The Sanhedrin condemned him and turned him over to the civil authorities of Rome to be tried. He was then condemned by a throng of accusers . . .

"He had flung no challenges, broken no laws, formed no revolutionary party. But he had taught a way of life which undermined the way of the world. Organizations had to show their power; numbers (the throngs) had to intimidate else they must yield; force must be triumphant. It was not . . . Where there were once but twelve disciples, there are now millions."

The idea of Christianity has had its rough times since initially conceived. It has been twisted, corrupted, perverted and distorted—but it still prevails, for at its core is

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a message of love and freedom. It is not necessary to be a Christian, though, to understand that a government which represses the Christian religion may also be repressing other ideas of value. The advocacy of atheism is as much a state-endorsed religion today as was the advocacy of sectarian Christianity in the early colonies. Neither practice is consistent with freedom.

The Stifling of New Ideas Is a Suicidal Practice

Our nation will recover from its nosedive into international oblivion when it discovers that stifling new ideas is suicidal. The world is slipping into the maw of socialism/communism because our leaders have adopted tactics indistinguishable from those of the Soviets. Who is to blame for this disaster? We are. Each and every one of us. We took freedom so lightly that we forgot to guard it. We lost ourselves in an era of hedonistic abandonment and left government to the petty and envious. It is time for a change.

Men of foresight and intelligence who are scrambling for gold, silver and land to protect themselves and their families from an impending social crisis at least recognize the desperation of our times. Material assets are but insurance against disaster—the most reasonable course is to prevent the disaster if possible. It may be.

Sophisticated intellectuals who today are making snide remarks about the next "stone age" may not be around to even witness that unpleasant evolutionary possibility. Our nation is now in an era of transition which will shake many major institutions to their very foundations. The idea of freedom is again blowing in the wind, germinating in fertile minds, proliferating horizontally and growing vertically. It is a noble idea. ●

IDEAS ON LIBERTY

Albert Schweitzer

THE RENEWAL of civilization has nothing to do with movements which bear the character of experiences of the crowd; these are never anything but reactions to extended happenings. But civilization can only revive when there shall come into being in a number of individuals a new tone of mind independent of the one prevalent among the crowd and in opposition to it, a tone of mind which will gradually win influence over the collective one, and in the end determine its character. It is only an ethical movement which can rescue us from the slough of barbarism, and the ethical comes into existence only in individuals.

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Willie E. Nelms

Winners and Losers

CRITICS of the free market are hard to please. While they may applaud the opportunities offered and praise entrepreneurial effort, they frown upon the person who gains success. Charges of monopoly, price gouging, and selfishness are leveled. Envy of the competitor who succeeds in the market leads to calls for higher taxation and confiscation of profits. Many critics assume that the successful businessman must have cheated in order to gain his reward.

Conversely, we find persons equally critical of the leveling force of the market which drives out of business those who cannot compete. This may have been the experience of the critics themselves, or they know friends who have failed in business. And such a somber lesson always raises cries about the cruelty of capitalism and calls for government subsidies for failing ventures.

In the final analysis, market critics are satisfied with neither the opportunities for success nor the possibilities for failure. Instead, some type of equilibrium is sought, where all will be secure, where none can fail. They ask, "Why must some profit and others fail?" They call for a system where opportunities for great wealth may no longer exist, but at least the possibilities for failure will be eliminated.

It would be nice to live in a world where no one fails. But a close analysis reveals what a dull and impossible situation this alternative offers. If the chances for success and failure are destroyed, the end of progress and prosperity is inevitable. An examination of the market process reveals the necessity for profit and loss in a healthy society.

The incentive for profit and opportunities for success encourage improvements in life. This chance at wealth is a strong attraction which carries with it the possibility of loss.

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One is not available without the other. In order to allow the maximum degree of consumer satisfaction and productivity, people must be free to succeed or fail. Protecting us from ourselves will only inhibit the satisfaction of all concerned.

Let's look at the profit incentive for a moment. The prospect for wealth encourages new people to enter the market with new products and new ideas. These entrepreneurs consider the risks, often using all their savings, and borrowed capital as well, to begin an enterprise of their own. Yet, they are willing to take these chances for the opportunity of bettering themselves.

Even though the vast majority of new ventures fail, the incentive for profit still causes an increasing number of people to compete in the market. These businessmen offer new products, new services, new competition for the consumer's patronage. The only way they can succeed is by offering the consumer a product for which he will willingly trade other valuable resources.

The possibility for profit is the reason that people like Henry Ford, Cyrus McCormick, and Chester Carlson risked their own capital to test new ideas in the market. Without the profit motive, the world might not have known the automobile, the grain reaper, or the inexpensive photocopier. Taking away the prospect for profit may soothe someone's sense of envy, but it retards the development of new products and diminishes consumer satisfaction.

Another key feature of the profit system is that it keeps producers on their toes. Entrepreneurs are constantly seeking new fields in which they can maximize their profits. If they see a line of business where profits are high, this is a key for them to enter with a competing product. In this manner, the market encourages new competitors, which tends to lower prices and to discourage monopolies.

Our market critics often grant that a "reasonable" profit is all right, but that "excessive" earnings should be taxed away and used to help the less fortunate. In this argument, they fail to see the real purpose of profits. If a producer knows that his earnings will be taxed away when they exceed a certain level, he will not strive to be more productive.

It should be clear that the profit system is of benefit to everyone. Producers are given the chance to realize earnings, new goods are developed, new jobs are created, and the consumer gains a product suited to his needs. Without this incentive, why should anyone wish to risk his time, labor and talent to enter business?

But what about the other side of the coin? Surely, something should be done to prevent the thousands of

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business failures each year. Think of the poor man who fails and is obliged to sell out to a more successful competitor.

It is important to realize that the market economy must be a profit *and* loss system in order to function effectively. The market insures that those who meet the consumers' needs will succeed. Competitors who do not meet these needs will not be able to continue in business very long. This prospect of failure is a stern reminder that efficiency and productivity are required. If failure is not allowed, businessmen can become lackadaisical with the knowledge that they will not have to face the consequences of their unproductivity.

The fact is that businesses fail for many reasons—undercapitalization, poor management, inadequate planning, just to name a few. The market allows a means for the unsuccessful competitor to liquidate his business and to cut his losses. History records many stories about people who failed in one area but were able to realize success in other fields. The market afforded these individuals a means of selling their stock and moving on to try their hand at more productive ventures.

But why should someone benefit at the cost of the poor businessman who must sell out? In a market economy, a person will trade only if he believes it is in his best interest. Thus, the man who goes out of business has the choice of continuing his present line or selling his assets. If he chooses the latter, it is because he deems it to be in his best interest. The buyer of his property is the one person offering him the most attractive deal.

The market provides signals for a person to know when to expand or to contract or to go into another field. If a business is consistently losing money, this is a sign either to revamp the organization or to sell the business. A person who ignores these signals does so at his own risk; the person who buys such a business when it is offered for sale is actually helping the loser cut his losses in retiring from this segment of the market.

The alternative to allowing business failure in the market is subsidy. We are all familiar with such subsidies that have become a part of the American scene over the years. They require that people who are productive and have met customers' needs—plus consumers themselves—must give part of what they have earned to support the less productive businessman. In this way, the inevitable collapse of the subsidized business is delayed, and the market process is circumvented. Ultimately, everyone pays for this inefficiency with higher prices and a distortion of the signals that the market issues.

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Whenever government steps in to protect individuals from failure, it hampers the working of the market process. Instead of allowing the entrepreneur to see that he must change his practices to meet consumer needs, subsidies allow him to dwell in a dream world, where failure never comes.

In essence, what happens when government enters the market is a distortion of reality and the creation of a vicious cycle. To insure that no one fails, others must be ordered to sacrifice the fruits of their labor. To keep the productive from earning their rewards, the incentive to create and develop new products—with new jobs—is removed.

If our critics are concerned about the plight of the small businessman, they can best help by removing government regulations which place an oppressive burden on any small entrepreneur. A variety of laws, from building codes to zoning regulations, retard the ability of businessmen to face the requirements of the market.

The producer who risks his capital and goes out to borrow from others to realize the goal of owning his own business deserves better than the present state of affairs. He generates a product, for which people are voluntarily willing to exchange their own goods; he offers this at a competitive price; he employs workers at a wage for which they are willing to trade their labor; and he adds to the overall wealth of his community. In exchange, he is forced to collect sales taxes, keep various records for the government, observe licensing requirements, and pay taxes of differing degrees on his earnings.

The profits earned are the seeds from which progress grows. Profits encourage efficiency of production and the expansion of industry. Consumer needs are met as buyers are allowed to purchase the goods they wish in free exchange. Jobs are created, which help to meet the needs of workers. All of this is possible only through the workings of the free market. Winston Churchill once observed, "Private industry runs at a profit and uses the profits to expand producing capacity. Government industry runs at a loss, and taxes the substance of the people to pay for its inefficiency."

In reality, our critics who seek equilibrium must understand that such a state of affairs is both impossible and undesirable. Human nature dictates that we constantly strive. The chance for profit must be available as an incentive for men to reach higher. Likewise, the market records a loss for lack of productivity and it affords the least painful way for people to move from one business to another. If profits are not possible, we all lose; if failure is not allowed, none of us can win.

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THE NEW CLASS?

THE late Richard Weaver, who wrote a book to prove that "ideas have consequences," knew that the efficacy of a concept often has nothing to do with its truth.

To pick a most horrendous illustration, there is the Marxist theory of the class war. The so-called dialectic of the class struggle is responsible for the Russian Revolution, but if it hadn't been for Lenin's professional mechanics of the arts of incitement and propaganda ("agitprop") the idea that the Russian proletariat was bound to take over would never have become more than a slogan exploited by a minority in a St. Petersburg parliament.

Marx never intended to apply his theory to backward agrarian societies anyway. He elaborated it for the industrial countries of the West. So what happened? Instead of coming to a revolutionary confrontation of grasping capitalists and maddened workers, the "struggle" took an entirely different turn. As Eduard Bernstein predicted in Germany, workers became rich enough to constitute a lower middle class. To use John F. Kennedy's figure, the rising tide of affluence lifted all the boats. The whole western society became bourgeois; Labor Day became the great middle class holiday, and May Day was more or less forgotten.

Now, to fill the gap caused by the failure of the Marxian idea of the "final conflict" between factory owners and workers, we have the theory of the so-called New Class. In our rush to build what Daniel Bell calls "post-industrial society" we have exalted a whole new tribe of symbol-manipulators—foundation employees, research associates, teachers, government regulatory bureaucrats, social workers, publicists, communications experts and "public interest" lawyers. The symbol-manipulators have status and make good salaries. Their productive "property," as distinguished from a farm, a set of tools or a shop, con-

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sists of their brains. In many ways they certainly affect our culture and our politics.

But taken as a group, do the symbol-manipulators manifest the coherence of a class? B. Bruce-Briggs, a former city planner and foundation executive, has addressed himself to this question by inviting twelve theorists, some of whom would describe themselves as neoconservatives, to provide tentative answers to the question. The book he has edited is called *The New Class?* (Transaction Books, New Brunswick, New Jersey, 229 pp., $16.95), and the presence of the interrogation mark in the title is quite calculated.

Going to the census figures, Mr. Bruce-Briggs discovers plenty of evidence that proprietorship has been in decay and the role of salaried managers and professionals has been increasing. Meanwhile we have had the growth of the health industry and the swelling of "number workers" (scientists, engineers and computer programmers). If we add the "ballooning of academia, teachers and college students" and "the appearance of well-paid federal officials" to the managers, number workers and health industry employees, we have a sizable group.

Mr. Bruce-Briggs says that "one deviant in a community is a troublemaker, ten are a clique, a hundred a club, a thousand a pressure group." But what does it take to make a "critical mass"?

Twelve Contributors

The twelve contributors to the book are sufficiently unified to indicate there can be small explosions of "critical mass" size, but none of them seems willing to consider that we are in danger of a New Class takeover. Sociologist Daniel Bell thinks the New Class is a "muddled concept." Historian Andrew Hacker says of the new symbol-manipulators that they have larger vocabularies and greater verbal facility than their fathers, but "when all is said and done they remain workers beholden to the organizations employing them." As "upper-level employees" they "do not constitute a class by themselves." They are "bit players who do not even choose their own lines."

Nathan Glazer, considering the legal profession, makes a good case for the class consciousness of the public service lawyer. And twenty thousand lawyers work for the federal government. But when you consider that there are two sides to every legal case, you are compelled to admit that lawyers live by fighting each other, which means there can't be much lawyer class solidarity, either "new" or old.

For a moment in the Nineteen Sixties, when the campuses were erupting, Seymour Martin Lipset thought there might be some Marx-

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ist class consciousness developing among the professoriate. But he notes that, despite their distaste for the existing order, "the leaders of the American intelligentsia do not know what they want for a new society." Jeane J. Kirkpatrick, a resident scholar at the American Enterprise Institute, thinks the New Class of symbol-pushers has "second-level stratum" importance in government. But they have not often achieved "apex" positions, and she is glad of it. "As surely as a monopoly of power or wealth is dangerous to the rest of us," she says, "a new-class monopoly on meaning and purpose is incompatible with the common weal."

Michael Harrington, a self-proclaimed democratic socialist, thinks Irving Kristol's hope for a "neo-conservative" response from the New Class in favor of a free market is deluded. He worries lest the New Class should succumb to Fascism. Kevin Phillips likes the New Class tendency toward a "neo-populist insurgency," but he fears it will provoke a reaction of "nationalistic, majoritarian, work-and-productivity-minded" people toward a "strongman."

The "modernism" of the New Class, deriving from secular upbringings that have de-emphasized religious values, bothers Peter Berger, who considers that disillusion with "repressive secularism" could lead to "fanatical retrenchments." Everett Carll Ladd, Jr., acting director of the Roper Public Opinion Research Center, is Olympian, as befits a pollster. He doesn't claim any proof of a class conflict between the intelligentsia and the "embourgeoised working class," but he sees some differences emerging "at the level of activism." This, he says, is to be expected.

Adversary Cultures

The best papers in Bruce-Briggs' book are by authors who have limited their aims. Aaron Wildavsky, former dean of the Graduate School of Public Policy at Berkeley, explores the interest the New Class has in preserving a no-or-little-growth status quo for their own elite cadres. Norman Podhoretz, the editor of *Commentary,* describes the developing battle between the "adversary culture" and the neo-conservatives who have revolted against the New Politics liberalism of the McGovern years. Since both the "adversaries" and the neo-conservatives are, roughly speaking, "new class" in their symbol-manipulating capacities, what Mr. Podhoretz has to say points to a serious schism in New Class ranks. It would be relevant to conclude from this that the fight for America's soul transcends class limits.

Finally, Robert Bartley, editor of *The Wall Street Journal,* investi-

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gates the sources of the anti-business clamor of recent years. Bartley is specificity itself as he explores the ramifications of the so-called public interest groups that owe their existence to "Mr. Public Citizen—Ralph Nader, Inc." Nader has been "the prime mover behind some thirty-five books and reports," and is credited with the passage of much anti-business legislation.

"Predictably," says Mr. Bartley, "Nader has inspired a host of imitators, founding not only his conglomerate but an entire industry." So we have the New Class isolated and personified in one towering figure. Mr. Bartley does not challenge Nader's sincerity, but he thinks that "Ralph Nader and Friends are sometimes wrong" and that the "public interest" might often be better served by "more careful attention to a balance between benefits and costs." Amen.

MAN IS MORAL CHOICE
by Albert H. Hobbs
(Arlington House, Westport, Connecticut 06880)
445 pages ■ $12.95

Reviewed by Tommy W. Rogers

IT IS the mystique of the contemporary social and behavioral sciences that man does not have a nature; he is infinitely malleable under environmental pressures ideologically manipulated. Scant attention is paid to the self-determining qualities of human beings, the demonstrated capacity of men and women to choose, and by an act of will surmount environmental handicaps. Human beings are material for the planner, as the matter is viewed by the ideology known today as liberalism. Dr. Hobbs, a university professor of sociology and a historian of ideas, traces liberal thought back to its unsubstantiated assumptions and prejudices. He has an expert knowledge of the relevant literature and uses a devastating logic to expose the fallacies.

Hobbs, acknowledging an intellectual debt to Edmund Burke's reaction to the French Revolution, posits "philosophical conservativism" as an alternative to rationalistic-scientism/romanticism. The underlying motif in Hobbs' philosophy is his belief in capacity for moral choice, which is rooted in the neocortex—that part of our brain which has no analogue in animals. Since stimuli—whether of external or internal initiation—can be facilitated or inhibited on the neocortical levels of the brain, human beings are able to exert self-determining choice over their attitudes and behavior. "When we realize that the initiating factor cannot be incorporated into what we know to be right, we can and should inhibit it so that it does not become a cause of our behavior.

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To refuse to choose is also choice. If we do not actively inhibit impulses which conflict with what we know to be right, our refusal to do so constitutes immorality."

Morality, Hobbs asserts, entails a set of circumstances which requires judgment. Those sheltered by their environment or their estate or otherwise insulated from temptation do not earn moral credit for abstention which would require sacrifice on the part of others. Advocates of the "new morality" would lead us to believe that when we have fully adopted their socio-political programs of economic redistribution, socialized medicine, subsidized housing, and universal education, the ills to which the spirit is heir—alcoholism, so-called "mental" illnesses, family disruption, and other indices of disorganization—will be resolved. Their socio-political programs allegedly will elicit the innate goodness of man by eliminating the things which cause badness—social and economic competition and guilt due to outmoded notions of personal morality perpetuated by bigots. Conservatives, by contrast, convinced that the formulas of "social science" provide an escape from personal responsibility but not a solution to our problems and that the socio-political programs which constitute the "new morality" are no substitute for morality, insist that morality involves men, not measures; persons, not programs.

Hobbs recognizes that people will find it difficult to reject the seeming certitude of science and the superficial clarity of rationalism which offers them Utopia Tomorrow for their society and Painless Panaceas for their conscience today. The conservative conception of man may lack the sentimental appeal of romanticism and seems prosaic compared to the visionary utopian promises of rationalism. But the choice is ours, and when the choice is a hard one there is often an extraordinary strength in ordinary people to respond. ❁

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